

**VIRGINIA INFORMATION TECHNOLOGIES AGENCY
(FORMERLY VIRGINIA INFORMATION
PROVIDERS NETWORK)**

MAY 2006



AUDIT SUMMARY

In response to our 2003 audit report, Virginia Interactive and VITA changed their procedures, which resulted in the deposit of collections directly into state agency bank accounts, eliminating the need for both Virginia Interactive and VITA to track and remit these collections to agencies each month. This change has significantly reduced both Virginia Interactive and VITA's responsibility relative to the handling of state funds on behalf of others and allows Virginia Interactive to maintain better control over their own financial operations.

Our audit focused primarily on Virginia Interactive's financial activity between their premium subscribers and agency partners. Our audit objectives were to:

- Evaluate the adequacy of Virginia Interactive's written policies and procedures relative to their revised financial processes.
- Determine that Virginia Interactive handles agency funds and service fees according to agency agreement terms.

Our tests determined that Virginia Interactive has established and follows written policies and procedures for their financial processes. In addition, Virginia Interactive handles agency collections and service fees according to agency agreement terms.

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AUDIT HIGHLIGHTS

In a 2003 Virginia Interactive Providers Network (VIPNet) audit, we found that the Commonwealth's portal service provider, Virginia Interactive, lacked documented policies and procedures and an accounting system. As the manager of the Commonwealth's official Virginia portal at www.virginia.gov, Virginia Interactive collected citizens electronic payments for sales and services made over the Virginia portal and then transferred the funds to the appropriate state entity each month. The lack of documented policies and procedures and no accounting system resulted in inefficient and inaccurate processes to identify, track and remit collections. Since issuing that audit report, legislation became effective that eliminated VIPNet as a separate entity and consolidated its operations into the Virginia Information Technologies Agency (VITA).

VITA continues to use Virginia Interactive as the Commonwealth's portal service provider. Under VITA's contract with Virginia Interactive, the Auditor of Public Accounts has performed audits through fiscal year 2006. Beginning in fiscal year 2007 a recently renewed contract requires Virginia Interactive to hire an independent auditor.

The purpose of our audit of Virginia Interactive was to review financial operations since the implementation of changes in response to our 2003 audit report. Our audit focused primarily on Virginia Interactive's financial activity between their premium subscribers and agency partners. Our audit objectives were to:

- Determine that Virginia Interactive has adequate written policies and procedures relative to their revised financial processes.
- Determine that Virginia Interactive handles agency funds and service fees according to agency agreement terms.

In response to our 2003 audit report, Virginia Interactive and VITA changed their procedures, which resulted in the deposit of collections directly into state agency bank accounts, eliminating the need for both Virginia Interactive and VITA to track and remit these collections each month. This change has significantly reduced both Virginia Interactive and VITA's responsibility relative to the handling of state funds on behalf of others and allows Virginia Interactive to maintain better control over their own financial operations.



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
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May 30, 2006

The Honorable Timothy M. Kaine
Governor of Virginia
State Capital
Richmond, Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We have audited selected financial operations of the **Virginia Information Technologies Agency** (Formerly Virginia Information Providers Network) as of May 1, 2006. We conducted our audit in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Scope and Methodology

Our audit examined activities for the period of July 2004 through May 2006, with emphasis on Virginia Interactive's changes in accounting procedures that began on January 2006. These new procedures were established following recommendations from previous audits. Specifically, we reviewed and considered accounting procedures, payables, and receivables.

Our work consisted of understanding recommendations made in previous Virginia Interactive audits, management and departmental inquiries, gaining an understanding of processes and controls by reviewing accounting procedures, examination of Virginia Interactive's documentation, and the selection and tests of various transactions.

Conclusion

The results of our tests determined that Virginia Interactive has established and follows written policies and procedures relative to the revised financial processes. In addition, Virginia Interactive handles agency collections and service fees according to agency agreement terms.

EXIT CONFERENCE AND REPORT DISTRIBUTION

We discussed this report with VITA and Virginia Interactive management at an exit conference on June 27, 2006. This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

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